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The Treasury Note

A monthly newsletter of California municipal finance.
January 1, 2003

The UCLA Anderson Forecast

The UCLA Anderson Forecast issued its quarterly economic report for California and the nation in December 2002. According to the forecast, the country can expect continuing economic sluggishness and a disappointing labor market until mid-2003. California has remained level during the second half of 2002 and appears likely to lag the nation in the first half of 2003.

Ed Leamer, the Director of the Anderson Forecast, reported that little has changed from his third quarter report. The country continues to slowly recover from its first business-cycle recession in 2001. The dramatic easing of interest rates by the Federal Reserve in 2001 helped strengthen consumer spending and curtail the impact of the slowdown.

Tom Lieser, Senior Economist with the Anderson Forecast, reported that California continues to operate in a challenging economic environment. Two of the State's premier industries, information technology and telecommunications, along with their suppliers and distributors, continue to suffer from substantial excess capacity and weak earnings. Major employers are unlikely to increase hiring until operations become profitable and many companies are still implementing staff reductions. Other troublesome factors include the State's budget deficit, a downturn in export trade, and continued slow growth in personal income and consumer spending.

Although California's economic picture is murky as 2002 draws to a close, a few bright spots stand out as the State begins a new year. The health care industry has been completely unaffected by the general recession. Growth in the gaming industry has offset tourism-related declines elsewhere in the recreation services industry. Private education has grown faster than its public sector counterpart, even with the stimulus of public funding for new teachers. The slow growth in services is forecasted to improve and moderate growth in income gains and spending is projected. Additionally, Dr. Lieser weighed in on real estate, stating that it has "arguably been the State's strongest industry in 2001 and 2002.

Budget News

As the *Treasury Note* went to print, Governor of California Gray Davis announced that the State faces a budget shortfall of \$34.8 billion through FY 2003-04. Governor Davis made the announcement three weeks earlier than the annual release of the January 2003-04 Budget. "I am releasing information on the size of the shortfall now so that the Legislature and the public can grasp the importance of swift action," Governor Davis stated. The Governor will release his formal budget proposal for FY 2003-04 on January 10, 2003. The Governor's formal budget proposal will include detailed cash flows for the current year and fiscal year.

Redemptions & Defeasances

The listing below reflects officially announced redemptions and defeasances as of January 1, 2003.

California Housing Finance Agency, Home Mortgage Revenue Bonds, 1982 Series A, Dated Date: October 1, 1982 (Partial Redemption).

\$125,000 of the bonds (CUSIP number 130329LV5) due February 1, 2014, will be redeemed on February 1, 2003.

California Housing Finance Agency, Home Mortgage Revenue Bonds, 1982 Series B, Dated Date: December 1, 1982 (Partial Redemption).

\$55,000 of the bonds (CUSIP number 130329NY7) due February 1, 2014, will be redeemed on February 1, 2003.

California Housing Finance Agency, Multi-Unit Rental Housing Revenue Bonds, 1992 Series A, Dated Date: December 1, 1992 (Full Redemption).

All bonds (CUSIP numbers 13033CN60, 13033CN78, 13033CN86, and 13033CN94) will be redeemed on February 1, 2003.

California State University Student Union Revenue Bonds, San Bernardino, Series B, Dated Date: December 1, 1992 (Full Redemption).

All bonds (CUSIP Numbers 130776NV5, 130776NY9, 130776PB7, 130776PE1, and 130776PR2) will be redeemed on February 1, 2003.

Tax Time

If you received a redemption payment in 2002 from the State Treasurer's Office or the Bank of New York, our fiscal agent, you will receive an IRS Form 1099-B notice. Our office, or the Bank of New York, will mail this form on or before January 31, 2003.

If you have questions regarding the IRS Form 1099-B notice, please contact the California State Treasurer's Office at (800) 900-3873 or the Bank of New York at (800) 438-5473.

Bond Sales Calendar^{1, 2}

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website (www.treasurer.ca.gov) or contact *Investor Relations* at (800) 900-3873.

PROPOSED BOND SALES	AMOUNT	SALE DATE
California State University – Series 2003A	To Be Determined	January 8, 2003
Tobacco Securitization Bonds – First Sale	\$3.0 billion	January 16, 2003
General Obligation Bonds – Fixed Rate	\$900 million	February 2003
Bay Area Toll Bridge Authority	\$300 million	February 2003
General Obligation Bonds – Fixed Rate	\$600 million	March 2003
Public Works Board – Various Projects	\$40 million	March 2003
General Obligation Bonds – Fixed Rate	\$600 million	April 2003
Tobacco Securitization Bonds – Second Sale	\$2.0 billion	April 2003
California Infrastructure and Economic Development Bank – State Revolving Fund	\$75 million	Spring 2003
General Obligation Bonds – Fixed Rate Refunding	\$900 million	Spring/Summer 2003
General Obligation Bonds – Variable Rate	To Be Determined	Spring/Summer 2003
California Infrastructure and Economic Development Bank – Bay Bridge Seismic	To Be Determined	Summer/Fall 2003

¹ Subject to change

² Economic refundings may be added
